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ABSTRACT

The vendor/voucher, or purchase of service, system for child care delivery is discussed as a logical model for communities which are looking for a method of developing a new system or have outgrown their current program. Discussion initially focuses on the increasing need for child care, cost/benefit aspects of child care, the regulation of child care programs, and current policy and the need for changes in policy. Subsequently, the vendor/voucher model is described and quality indicators specific to vendor/voucher systems are indicated and discussed (including regulations, sufficient and stable funding, parental choice, and increasing the quality of care in the community). Concluding remarks suggest ways of obtaining additional funding and the attractiveness of the vendor/voucher system to employers. (RH)

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Vendor/Voucher Systems

A Parent Selected Child Care Subsidy Program That Works

Ruth Freis & Miriam Miller

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Livermore, CA

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PREFACE.....1

I. INTRODUCTION.....3

II. OVERVIEW.....4

A. Increasing Need.....4

B. The Dollar Side of Child Care.....5

C. Establishing Standards.....6

D. Current Policy and the Need for Change.....7

III. VENDOR/VOUCHER SYSTEMS.....9

A. Description of the Model.....9

B. Quality Indicators.....10

1. Regulations.....10

2. Sufficient Stable Funding.....11

3. Parental Choice.....12

4. Increasing the Quality of Care.....13

C. Expanding the Base.....15

IV. CONCLUSION.....18

PREFACE

Freis & Miller & Associates is a management and consulting firm which has extensive experience in designing and managing comprehensive child care and development delivery systems. In 1965, F.M.A. was instrumental in designing the first economically integrated Head Start program which became a National Head Start Locally Designed Option.(1) Since that time F.M.A., with the emphasis always on cost-effective economically integrated, quality services, has designed, developed, and managed quality child care and development systems.

One system F.M.A. implemented in 1973 in Palo Alto, California, combined the operation of a seven center direct service model with a modified child care voucher system. This system provided funds to parents to choose among a variety of established community facilities including centers and family child care homes. This small alternative voucher experiment was so successful, F.M.A. determined a broader test was necessary. In 1976, F.M.A. set up a vendor/voucher child care delivery system, Resources for Family Development, (R.F.D.), which now serves six cities in Southern Alameda County in Northern California, utilizing funds primarily from the California State Department of Education, Child Development Division.

Using the R.F.D. model as a base to examine issues of quality, parental choice, economic impact, and cost effectiveness, F.M.A. has been able to assess the impact of different delivery systems on parents, children, staff, administration and funding sources. In 1980, F.M.A. undertook a study of the Economic Impact of Subsidized Child Care.(2) This report has been used widely in many states across the nation to look at the economic feasibility of child care subsidies.

F.M.A. has worked with the State of California on establishing quality indicators for state funded child development programs. In addition, they provided staff to coordinate the Commission to Formulate a California State Plan for Child Development Services.

During the past three years, F.M.A. has had the opportunity to assist communities in several states to evaluate their current systems and decide what makes sense for families in their area. We believe decision makers need to take a fresh look at what is happening now and what makes sense for the future, and we think F.M.A.'s unique and specific experiences provide a perspective that will be useful in the process.

I. INTRODUCTION

Most young families now use child care services. In the past, families were able to work out solutions to their child care needs through family resources and friends and child care was perceived as a family issue. Not so today, families in every economic bracket are faced with rising inflation, both parents in the work force, and the results of divorce. This diminishing ability of family members to support each other, even if they want to do so, has lead to a major concern for families about providing care for their children. No longer are low income families the only group faced with the inability to find and afford care. Middle income families are experiencing the same problems.

Funders such as government, United Way, and private foundations are exploring ways to stretch the public and private dollars as well as examining eligibility criteria for service. Many communities are finding that existing center based child care subisidy systems are no longer viable for today's families. Working families often have complex and varied needs, both in terms of the amount of financial assistance required and the scope of the services they need. Private and public agencies alike are finding that the subsidy dollar is shrinking while the demand for care and the numbers of eligible families keeps growing.

Alternatives to existing systems are being sought at every level. This paper was prepared to address the rising interest in alternate methods of delivering child care services. In order to assist policy makers to arrive at decisions that make sense for their community, we will discuss vendor/voucher systems as a viable option to help meet

rapidly growing needs.

II. OVERVIEW

A. INCREASING NEED

Based on 1982 Bureau of Labor Statistics, 55% of all children, 59% of school age children, and 46% of children under six have mothers in the labor force.(3) Professionals in the field are finding that unlike earlier times when women took years out of the labor force for child rearing, most women now return to work after a leave of not more than one year for each birth. Small wonder that child care referral agencies across the country are reporting dramatic shortages in the availability of infant care.

Available national statistics indicate that there are currently 6.1 million child care slots available in centers and family child care homes across the country.(4) This must be compared to the thirteen million children, thirteen years or younger, whose mothers are in the labor force full time.(5)

The Children's Defense Fund calculates that by 1990, 4.2 million more children will need full-time care.(6) Current trends are expected to continue through the next decade.

The ability of parents, especially divorced and single parents, to find resources within their own family and friends has diminished rapidly. This trend is expected to continue. In the past twenty years, care in child care centers has increased threefold and care in another home by a non-relative has increased from 12.7% to 26.6% during the same period.(7)

B. THE DOLLAR SIDE OF CHILD CARE

It is estimated that families spend approximately six billion of the estimated ten billion dollars per year spent nationally on child care. The federal government spends about 2.5 billion and state, county and local sources spend approximately 1.3 billion.(8) There is a general acceptance that most families now need some type of subsidy for child care in order to keep parents employed and contributing to the general economy.

Recent studies show that there are substantial economic offsets for providing subsidies for low income families. The economic impact study by Freis & Miller & Associates showed offset of public funds by 44.5%. There was a 50% reduction in public assistance costs as a result of AFDC recipients' ability to find and keep employment. Taxes paid increased by 63%, and parents were able to pay an increased share of the costs of care.

A study by McClellan and Kameya (9) showed that in a comparison of public assistance costs and cost of fully subsidized child care for a low income mother with two children, there was a substantial savings to the community when the mother worked, even when the care for two children was fully subsidized.

Decision makers in the public and private sectors are looking at the cost benefit ratio of providing child care services. They are concluding that child care is in fact a cost effective use of the community's funds.

C. ESTABLISHING STANDARDS

Public policy at the present time often leads us to act as if care that is healthy and represents quality for one group of children is unnecessary, frivolous, or too costly for another income group. This is because family income determines the level of protection and service to which a child is entitled.

The purpose of regulation of child care programs is to set a minimum for basic child health and safety. Licensing, registration or certification does not insure high quality of care. Rather it is the bare minimum of protection that families can depend on when they leave their children in someone else's care. However, this bare minimum of protection becomes significant when we realize that without it there is no system set up to allow parents to register concern about poor or even abusive care. There is no base line community standard for acceptable child development practices, and providers themselves are without any criteria by which they can offer their services for parents to evaluate.

The harmful effects of inadequate care for young children should not be discounted or minimized. Rather we need to work to make sure that those settings that serve young children, including those making use of public dollars, are monitored sufficiently to insure the quality of care that our children need and deserve. We like to believe that well educated parents armed with appropriate information on choosing quality care will make appropriate choices for their families. However, the truth is that low income families with limited resources are forced to use care that provides a subsidy whether or not it is a quality program.

D. CURRENT POLICY AND THE NEED FOR CHANGES

The need for subsidized child care far exceeds both the available subsidized spaces and the available public funds. Added to this is the difficulty of meeting the diverse child care needs of most families. Most subsidized child care is available only for three to five year olds and takes place in centers that are only open on weekdays. There are few choices available to working families with infants or school age children, or families who work nights and weekends, or families who prefer care in a family child care home rather than a center.

The most common method of providing subsidzed child care is through the provision of direct service programs. Subsidized direct service programs traditionally operate center based programs although, in a small number of cases, the programs also include family child care homes.

The current center based systems that are in place are typically well run and deliver quality services. They often have a long history of service to the community. Policy makers as a rule are reluctant to displace a system that is stable and provides a high level of parent satisfaction. However, the recent push for alternative services is coming from several directions and the need for change is being evaluated across the country.

Women entering the job market often have increasing need for flexible hours or unusual hours of care, particularly those employed as maids, waitresses, nurses, aides, and travelling executives.

Parents of infants and parents who want all their children cared for in one setting, when offered a choice, have been selecting family child care homes as their favored option for care. In a 1984 profile

of subsidized parents using Resources for Family Development services, Freis and Miller and Associates found that over two thirds of the working parents chose a family child care home. This was especially true in the case of infants and school age children.

All of these factors have combined to show an increasing interest in sharing public funds for child care with the private sector in order to make use of spaces in existing facilities and to provide appropriate child care choices for parents. Use of existing facilities makes for maximum utilization of community resources and reduces the need for capital outlay for new programs.

III. VENDOR/VOUCHER SYSTEMS

A. DESCRIPTION OF THE MODEL

One solution to the limited public funded systems is a vendor/voucher or purchase of service system. In this alternative model, the parents choose the care that best meets the needs of their family. The operating agency determines eligibility of the family and establishes requirements for providers such as licensing or certification and outlines the scope of service to be purchased.

Funds on a sliding scale are made available to families based on income and need for service. During a referral counseling session, parents are given information about appropriate centers, homes, nursery schools and after school programs in their community, and they are provided with information on choosing appropriate care.

A payment is made by the operating agency to the provider of care that the parent has chosen for a specified number of hours at an agreed upon price. Providers are paid on enrollment rather than attendance in order to insure stability of service. The child care subsidy follows the child. This means if work hours change, the family moves, or a child needs a different setting, the parent is able to choose new care.

Public, nonprofit, and private proprietary facilities are used. This provides a unique opportunity to expand child care choices for parents as well as stimulating the local economy. Since the payment for care is based on the market rate in the community, subsidized care reflects the same fluctuations in price as care in the private sector.

Once the system is in place, funds can be augmented from a variety of sources i.e. federal, state or local governments as

well as industry or charitable institutions.

B. QUALITY INDICATORS

When evaluating a vendor/voucher system, it is essential that policy makers use appropriate criteria and inform themselves of all of the implications of putting an alternative system in place. An infusion of subsidy funds in a community does alter the supply and demand patterns, the support and technical assistance to providers of care does impact on the quality of services available to parents, and a major disruption to an existing system without careful planning can do damage to parents and children as well as the local economy.

We are accustomed to looking at quality in child care programs through agreed upon factors such as group size, child/adult ratios, parental support, curriculum and cost per unit of care. While all of the above concerns are crucial to quality care, when we are looking at vendor/voucher systems there are an additional set of quality indicators that need to be taken into consideration. These are:

1. Regulations

Some form of regulation such as licensing registration or certification is essential for every successful vendor/voucher system. Regulation sets a minimum standard for the health and safety of the children, provides a basic level of protection families can depend on, sets the standards for appropriate and acceptable child development practices and provides care givers criteria by which they can evaluate the services they offer. Without it parents become victims to the market place, and public funds could be used to support unsafe or poor care situations. We find the need for regulation not only in the private sector, but in

fully funded government operated facilities as well.

2. Sufficient Stable Funding

Although vendor/voucher programs are, by definition, flexible in their ability to expand and contract services as community need dictates, there must be adequate funding to cover the cost of care at the community market rate, as well as to pay for essential support services. There is a real danger that if a program is not adequately funded and does not pay the community market rate, the providers of care are actually subsidizing the program through reduced rates. In that case, a good portion of the private sector will refuse to do business with subsidized parents and valuable services are lost.

Some ways to avoid undue influence on the community market rate are:

1. Pay fees that are no higher than the fees a provider charges the general public for the same service.
2. Limit the number of subsidized children in a particular site to assure an ecomonic mix. This also provides a comparative fee structure.
3. Work closely with local associations of care givers in surveying community cost of care. This will also help provide early warning of shifts in rates.

Although an integrated system is the most desirable, there will be pockets of poverty where fully funded homes and centers are most appropriate for that part of the community. A market survey of actual charges is essential; however, in the case above, the fees may not be high enough to cover required services. The

program then may want to pay more than the market to ensure adequate care.

All families need to have access to the best care the community has to offer. This is wise as well as cost effective. The longitudinal study of preschool programs by the High Scope Educational Research Foundation (10) shows that for every $1,000 spent on quality preschool programs, $4,130 will be returned due to the reduced costs for education, less legal processing for delinquent behavior, and through increased lifetime earnings for participants.

Adequate funding for support services is critical. Low income families have the same need for family support systems as do any other families. This is true whether they are all together in a fully subsidized center or spread out in private nursery schools, centers, and family child care homes.

The role of the vendor/voucher system is to identify family need and link families to the existing resources in their community. This avoids costly duplication of service and provides access to families who need it.

3. Parental Choice

If the goal of subsidized child care is to assist parents in achieving economic independence, as well as to provide a quality care experience for their children, then maximum parental choice in child care selection becomes crucial.

First of all, there must be child care options and subsidies for all of the children in the family no matter what their age. It does a parent no good (in terms of returning to employment) if there is care for her three year old and if there is still no care

available for her infant or kindergarten child after school.

Second, the money must follow the child, that is, if a parent changes work hours, the family moves, or a child needs a different setting, the parent must be able to choose new care and still maintain the subsidy.

Third, since we know that many women return to the job market through part time or split shift employment, it is necessary to provide subsidies for part day, weekend and shift care. Although the cost per unit is usually higher than full time care, getting and keeping the parent employed is cost effective in the long run.

4. Increasing the Quality of Care in the Community

Quality of care varies tremendously even among licensed facilities in a given community. Looking at a group of centers in a fully subsidized system, we find as great a disparity in quality between them as we do between those outside of the system. Often the fear of knowledgable professionals is that there will be no way to insure quality in programs run by the private sector. The unsubstantiated view of publicly funded child care operators is that private programs are by definition somehow inferior.

Equipped with a staff whose task is the provision of support, know how and appropriate resources, vendor/voucher systems present a rare opportunity to make an impact on quality in the total child care community.

Because of the support services provided, this system becomes a major connection to the private sector. Since most child care takes place in the private rather than public sector of a

community, it seems wise to support work already being done and to assist providers in the areas where they feel they want help. There are many rewards for the providers by using this approach. They are able to serve families that could not afford their services before. They have access to support services that were previously unavailable: referrals, technical assistance, and child development information. They can expand and increase the depth of what they already provide to parents and children. As a result, providers find a new level of community support and recognition for their work.

Children are currently cared for in a variety of private, nonprofit, and public settings, with little or no contact among these programs. Experience proves that by developing a community support system through a vendor/voucher program, a positive qualitative change takes place in the provision of care of all youngsters.

A vendor/voucher program that provides subsidy for a child thereby has a foot in the door for continued contact. It then becomes a question of establishing the kind of relationship with providers of care that allows growth to take place. The great impact a vendor/voucher program can have on standards is the rippling effect that results from provision of interaction and support for a subsidized child and which extends to include all children in that setting.

In the long run, it is the parent who must take responsibility for deciding where to have their child cared for, no matter what role goverment takes in regulation. Consumer education is an integral part of a successful vendor/voucher system and that, more

than any other factor, will influence what happens for children in care. Parents must go into the market place armed with adequate information on what to look for and how to evaluate what they see, and how that fits in with the needs of their families.

C. EXPANDING THE BASE

California pioneered a unique concept to deal with its tremendous diversity of cultures as well as the variety of rural, suburban and urban areas. The enabling legislation for vendor/voucher systems deliberately allowed them to be administered by nonprofit groups, private groups or public agencies. The State Department of Education, on the basis of competitive applications, subcontracts with approximately 40 groups around the state to administer these vendor/voucher funds.

Currently, the contracts include county offices of education, private child care management firms, private child welfare agencies, and private, nonprofit community based organizations. These agencies may serve a whole county, several cities or part of one city.

Vendor/voucher programs have been operating using funds from a variety of sources including Departments of Education, Social Services and Labor, charitable contributions, employer contributions and combinations of the above. In California, Job Partnership Training Act funds are being utilized for vendor/voucher child care and now the State is also planning to match those funds.

Vendor/voucher systems are especially valuable for their ability to leverage funds. Once the core services are in place, adding additional money to serve particular populations is relatively easy. The fact that each funding source may have its own guidelines for

eligibility does not make administration much more difficult. In fact, in some cases, the cost of administration decreases as the number of families served increases.

Vendor/voucher systems will be very attractive to employers. No large capital costs are involved, the number of eligible employees can be expanded or contracted easily as well as the percent of subsidy provided. The employers particularly like the fact that they do not have the responsibility for operating the system.

Employers have several options in associating with a vendor/voucher system. One is to contract with an existing system whereby the employer agrees to underwrite the cost of subsidizing a certain number of employees. The agency provides referrals, monitoring and payment services and bills the employer.

A second option is for an employer to contribute to the core support of the agency so it can continue to function. In that option, the agency provides referrals and places eligible families on their waiting list for subsidies when appropriate.

A third option is for several employers in an area without a vendor/voucher system to pool their funds and set up an agency to administer the subsidies they choose to provide.

As competition for funds continues to grow, charitable institutions and foundations are reexamining their role. There has been a shift in leveraging these funds through core support to coordinating agencies and away from targeting direct service providers. These contributions can play a critical role in a community starting up or operating an alternative system. Once the base of operation is secure, additional funds for subsidies can be added on in a cost

effective and efficient manner. Funders with limited resources can still buy in and be effective.

Broadening the base helps to insure healthy, stable programs that are less likely to suffer in times of economic stress when the need for service is the greatest. Support for a vendor/voucher system provides a vehicle for a partnership through which all segments of the community can participate.

IV. CONCLUSION

It is clear that concern about increasing need and limited parental choices in child care arrangements are coming from all segments of our society. Child care no longer can be considered a welfare issue related to the poorest of our families. All families need assistance, in some degree, in locating, assessing, and paying for care for their children. The push for change as communities search for solutions has lead to the development of some interesting alternative approaches.

Change for change sake is rarely useful and in the case of child care services change can be very costly, as well as disruptive to the lives of children and their parents. It becomes critical to design systems that are flexible, that have a stable funding base, and that address parental choice. At the outset decision makers who are examining the options for alternative to traditional systems need to be aware of the implications for disrupting what is in place.

We suggest a Vendor/Voucher system as a logical model for communities looking for a method of developing a new system, as well as for communities who have outgrown their current programs. Use of Vendor/Voucher systems allows an incremental approach conducive to maintaining and supporting the parts of the system that are working well.

A Vendor/Voucher system is one approach to provide for the coordination and allocation of child care funds. A Vendor/Voucher system that includes a core of support services provides a method through which parents can have maximum choice of care, easy access to necessary resources, and assistance with fees. At the same time,

providers of care can receive technical assistance, referrals, and access to cost saving programs.

The opportunity to work with both the public and private sector allows for the spread of positive child development practices and provides for intervention when unsound policies for children are being used.

A Vendor/Voucher system can become the focus for a community partnership with each of the partners, Government, Industry, community, and participating families all making a significant contribution.

A far reaching child care policy is one that provides opportunities to make an impact on the entire child care community and takes into account the needs of all families, regardless of their economic status. We must begin with the care we have, build on what we know about the needs of families today, and then the possibility for serving all our children will be within our grasp.

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